

Jesup Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2006

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Jesup Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

Board of Education

(Before September 2005 Election)

| | | |
|-----------------|----------------|------|
| Lisa Riensche | President | 2006 |
| Gin Vogel | Vice President | 2007 |
| Fritz DeMuth | Board Member | 2007 |
| Brenda Schmit | Board Member | 2005 |
| Leonard Harting | Board Member | 2005 |
| Staci Brown | Board Member | 2006 |
| Kevin McCombs | Board Member | 2006 |

Board of Education

(After September 2005 Election)

| | | |
|-----------------|----------------|------|
| Lisa Riensche | President | 2006 |
| Gin Vogel | Vice President | 2007 |
| Fritz DeMuth | Board Member | 2007 |
| Todd Rohlfen | Board Member | 2008 |
| Leonard Harting | Board Member | 2008 |
| Staci Brown | Board Member | 2006 |
| Kevin McCombs | Board Member | 2006 |

School Officials

| | | |
|-------------------|---|------|
| Sarah Pinion | Superintendent | 2006 |
| Mary Anne Harrold | District Secretary/Treasurer and Business Manager | 2006 |
| Brian Gruhn | Attorney | 2006 |

Independent Auditor's Report

To the Board of Education of
Jesup Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jesup Community School District, Jesup, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.


I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jesup Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated August 11, 2006 on my consideration of Jesup Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jesup Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA PC
Keith Oltrogge
Certified Public Accountant

August 11, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jesup Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,831,921 in fiscal 2005 to \$5,709,687 in fiscal 2006, and General Fund expenditures decreased from \$5,910,430 in fiscal 2005 to \$5,796,125 in fiscal 2006. The District's General Fund balance decreased from \$2,136,221 in fiscal year 2005 to \$2,049,783 in fiscal year 2006, a 4.1% decrease.
- The decrease in General Fund revenues was attributable to a decrease in federal revenue in fiscal year 2006.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 36.1% in 2005 to 35.4% in fiscal 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Jesup Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Jesup Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Jesup Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Jesup Community School District Annual Financial Report

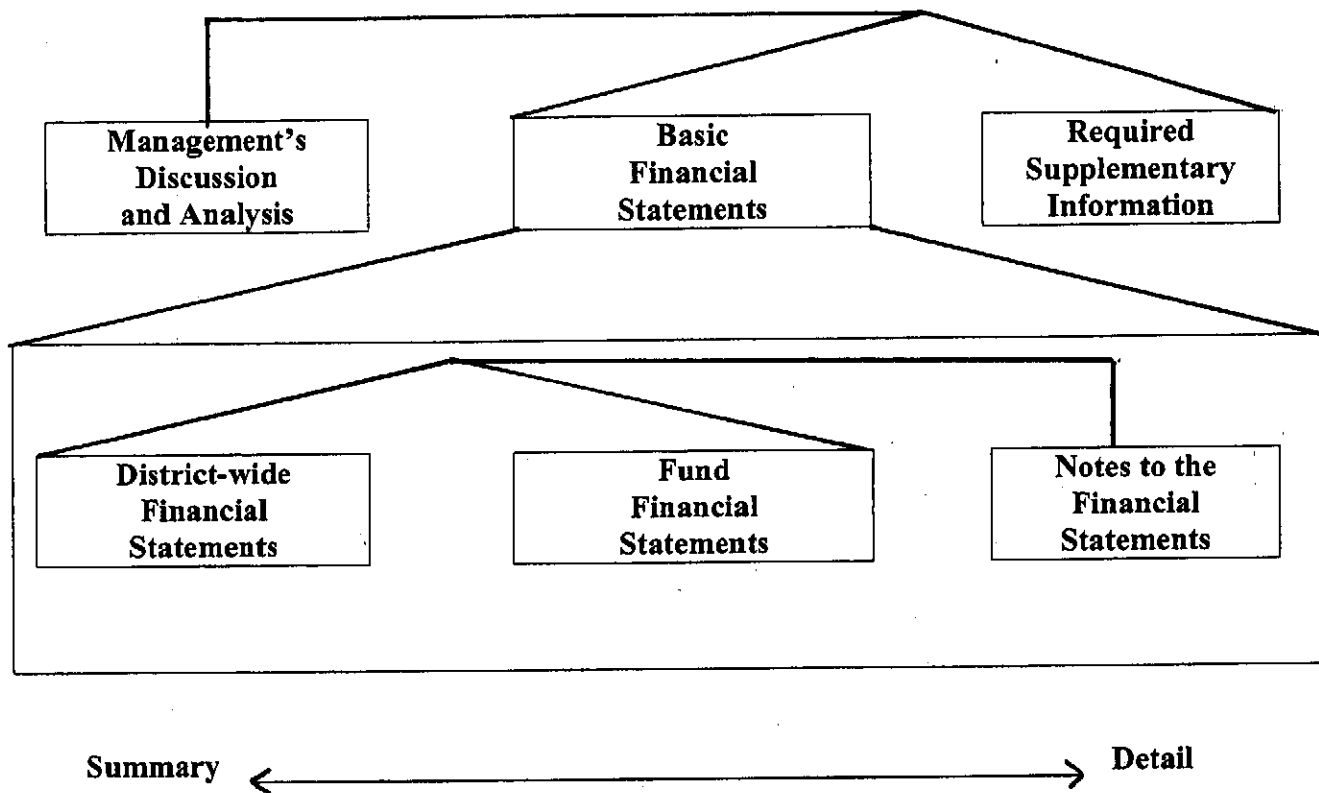


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

| | Government-wide Statements | Fund Statements | | |
|--|--|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | Statement of net assets | Balance sheet | Statement of net assets | Statement of fiduciary net assets |
| | Statement of activities | Statement of revenues, expenditures and changes in fund balances | Statement of revenues, expenses and changes in fund net assets | Statement of changes in fiduciary net assets |
| | | | Statement of cash flows | |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/ liability information | All assets and liabilities, both financial and capital, short-term and long- term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long- term | All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/ outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds: the School Nutrition Fund, Swimming Pool Fund and Before and After School Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Trust Fund.

- Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--|----------------------------|--------------|-----------------------------|-----------|-------------------|--------------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-2006 |
| Current and other assets | \$5,872,188 | \$5,820,751 | \$96,863 | \$112,222 | \$5,969,051 | \$5,932,973 | \$36,078 |
| Capital assets | 7,461,190 | 7,381,232 | 27,817 | 30,388 | 7,489,007 | 7,411,620 | 77,387 |
| Total assets | \$13,333,378 | \$13,201,983 | \$124,680 | \$142,610 | \$13,458,058 | \$13,344,593 | \$113,465 |
| Long-term liabilities | \$4,616,235 | \$4,655,000 | \$- | \$- | \$4,616,235 | \$4,655,000 | -\$38,765 |
| Other liabilities | 2,732,425 | 2,458,649 | 14,114 | 9,219 | 2,746,539 | 2,467,868 | 278,671 |
| Total liabilities | \$7,348,660 | \$7,113,649 | \$14,114 | \$9,219 | \$7,362,774 | \$7,122,868 | \$239,906 |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | \$2,844,955 | \$2,726,232 | \$27,817 | \$30,388 | \$2,872,772 | \$2,756,620 | \$116,152 |
| Unrestricted | 3,139,763 | 3,362,102 | 82,749 | 103,003 | 3,222,512 | 3,465,105 | -242,593 |
| Total net assets | \$5,984,718 | \$6,088,334 | \$110,566 | \$133,391 | \$6,095,284 | \$6,221,725 | -\$126,441 |

The District's combined net assets decreased by nearly 2%, or \$126,441, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$242,593, or 7%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4
Changes in Net Assets

| | Governmental Activities | Business Type Activities | Total District |
|--|----------------------------|--------------------------------|--------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for service | \$503,701 | \$242,481 | \$746,182 |
| Operating grants, contributions and restricted interest | 796,785 | 93,394 | 890,179 |
| Capital grants, contributions and restricted interest | 75,000 | - | 75,000 |
| General revenues: | | | |
| Property tax | 1,881,623 | - | 1,881,623 |
| Local option sales and service tax | 522,135 | - | 522,135 |
| Unrestricted state grants | 2,925,865 | - | 2,925,865 |
| Unrestricted investment earnings | 88,402 | 1,885 | 90,287 |
| Other | 204,269 | - | 204,269 |
| Total revenues | \$6,997,780 | \$337,760 | \$7,335,540 |
| Program expenses: | | | |
| Governmental activities: | | | |
| Instruction | \$4,424,165 | \$- | \$4,424,165 |
| Support services | 1,744,491 | - | 1,744,491 |
| Non-instructional programs | - | 360,585 | 360,585 |
| Other expenses | 932,076 | - | 932,076 |
| Total expenses | \$7,100,732 | \$360,585 | \$7,461,317 |
| Change in net assets | -\$102,952 | -\$22,825 | -\$125,777 |

Property tax and unrestricted state grants account for 65.5% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82.7% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,997,780 and expenses were \$7,100,732. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of Governmental
Activities**

| | Total Cost of Services | Net Cost of Services |
|----------------------------|---------------------------|-------------------------|
| Instruction | \$4,424,165 | \$3,187,320 |
| Support Services | 1,744,491 | 1,680,850 |
| Non-instructional programs | - | - |
| Other expenses | 932,076 | 857,076 |
| Totals | \$7,100,732 | \$5,725,246 |

- The cost financed by users of the District's programs was \$746,182.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$890,179.
- The net cost of governmental activities was financed with \$2,403,758 in property and other taxes and \$2,925,865 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$337,760 and expenses were \$360,585. The District's business type activities include the Before & After School Fund, School Nutrition Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Jesup Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,984,718, below last year's ending fund balances of \$6,088,334.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Jesup Community School District amended its annual budget once to reflect additional expenditures for the teacher quality fund and for reclassifying the Before & After School program to non-instructional programs.

The District's receipts were \$364,304 more than budgeted receipts, a variance of 5%. The most significant variance resulted from the District receiving more in property taxes and state aid than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$7,489,007, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$378,562.

The original cost of the District's capital assets was \$11,974,297. Governmental funds account for \$11,912,584, with the remainder of \$61,713 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------------------|----------------------------|-------------|-----------------------------|----------|-------------------|-------------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-2006 |
| Land | \$33,500 | \$33,500 | \$- | \$- | \$33,500 | \$33,500 | \$- |
| Construction in progress | 40,500 | 258,181 | - | - | 40,500 | 258,181 | -217,681 |
| Buildings | 6,557,966 | 6,549,169 | - | - | 6,557,966 | 6,549,169 | 8,797 |
| Improvements other than buildings | 156,681 | 116,617 | - | - | 156,681 | 116,617 | 40,064 |
| Furniture and equipment | 672,543 | 423,765 | 27,817 | 30,388 | 700,360 | 454,153 | 246,207 |
| Totals | \$7,461,190 | \$7,381,232 | \$27,817 | \$30,388 | \$7,489,007 | \$7,411,620 | \$77,387 |

Long-Term Debt

At June 30, 2006, the District had \$4,616,235 in general obligation and other long-term debt outstanding. This represents a decrease of .8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

| | Total District | | Total Change |
|--------------------------|-------------------|-------------|-----------------|
| | June 30, | | June 30, |
| | 2006 | 2005 | 2005-2006 |
| General obligation bonds | \$4,470,000 | \$4,655,000 | -\$185,000 |
| LOST revenue bond | 146,235 | - | 146,235 |
| Totals | \$4,616,235 | \$4,655,000 | -\$38,765 |

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Anne Harrold, District Secretary/Treasurer and Business Manager, Jesup Community School District, 531 Prospect Street, P.O. Box 287, Jesup IA 50648.

Basic Financial Statements

Jesup Community School District

Statement of Net Assets

June 30, 2006

| | Govern- mental Activities | Business Type Activities | Total |
|---|---------------------------------|--------------------------------|----------------------|
| Assets | | | |
| Cash and Cash Equivalents: | | | |
| Other | \$ 3,533,634 | \$ 95,179 | \$ 3,628,813 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 23,305 | - | 23,305 |
| Succeeding year | 2,105,098 | - | 2,105,098 |
| Accounts | 2,912 | 235 | 3,147 |
| Due from other governments | 207,239 | - | 207,239 |
| Inventories | - | 1,449 | 1,449 |
| Capital assets, net of accumulated depreciation | 7,461,190 | 27,817 | 7,489,007 |
| Total Assets | \$ 13,333,378 | \$ 124,680 | \$ 13,458,058 |
| Liabilities | | | |
| Accounts payable | \$ 95,542 | \$ - | \$ 95,542 |
| Salaries and benefits payable | 503,847 | 9,875 | 513,722 |
| Accrued interest payable | 27,938 | - | 27,938 |
| Deferred revenue-succeeding year property tax | 2,105,098 | - | 2,105,098 |
| Deferred revenue-other | - | 4,239 | 4,239 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 190,000 | - | 190,000 |
| LOST revenue bond payable | 29,246 | - | 29,246 |
| Portion due after one year: | | | |
| General obligation bonds payable | 4,280,000 | - | 4,280,000 |
| LOST revenue bond payable | 116,989 | - | 116,989 |
| Total Liabilities | \$ 7,348,660 | \$ 14,114 | \$ 7,362,774 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 2,844,955 | \$ 27,817 | \$ 2,872,772 |
| Unrestricted | 3,139,763 | 82,749 | 3,222,512 |
| Total Net Assets | \$ 5,984,718 | \$ 110,566 | \$ 6,095,284 |

Jesup Community School District

Statement of Activities

Year Ended June 30, 2006

| | Program Revenues | | | |
|---|-------------------------|----------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <u>Functions/Programs</u> | | | | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 2,918,045 | \$ 283,705 | \$ 584,447 | \$ - |
| Special instruction | 740,170 | 14,240 | 134,264 | - |
| Other instruction | 765,950 | 205,401 | 14,788 | - |
| | <u>\$ 4,424,165</u> | <u>\$ 503,346</u> | <u>\$ 733,499</u> | <u>\$ -</u> |
| Support Services: | | | | |
| Student services | \$ 113,227 | \$ - | \$ - | \$ - |
| Instructional staff services | 131,302 | - | - | - |
| Administration services | 670,446 | - | - | - |
| Operation and maintenance of plant services | 475,805 | 355 | - | - |
| Transportation services | 349,160 | - | 63,286 | - |
| Community services | 4,551 | - | - | - |
| | <u>\$ 1,744,491</u> | <u>\$ 355</u> | <u>\$ 63,286</u> | <u>\$ -</u> |
| Other Expenditures: | | | | |
| Facilities acquisition | \$ 497,938 | \$ - | \$ - | \$ 75,000 |
| Long-term debt interest | 184,716 | - | - | - |
| AEA flow-through | 249,422 | - | - | - |
| | <u>\$ 932,076</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 75,000</u> |
| Total Governmental Activities | <u>\$ 7,100,732</u> | <u>\$ 503,701</u> | <u>\$ 796,785</u> | <u>\$ 75,000</u> |
| Business Type Activities: | | | | |
| Non-Instructional Programs: | | | | |
| Food service operations | \$ 311,084 | \$ 176,761 | \$ 92,805 | \$ - |
| Swimming pool operations | 18,140 | 32,939 | - | - |
| Before & after school | 31,361 | 32,781 | 589 | - |
| | <u>\$ 360,585</u> | <u>\$ 242,481</u> | <u>\$ 93,394</u> | <u>\$ -</u> |
| Total | <u>\$ 7,461,317</u> | <u>\$ 746,182</u> | <u>\$ 890,179</u> | <u>\$ 75,000</u> |

Net (Expense) Revenue
And Changes in Net Assets

| Governmental Activities | | Business Type Activities | | Total |
|----------------------------|------------|--------------------------------|---------|---------------|
| \$ | -2,049,893 | \$ | - | \$ -2,049,893 |
| | -591,666 | | - | -591,666 |
| | -545,761 | | - | -545,761 |
| \$ | -3,187,320 | \$ | - | \$ -3,187,320 |
| <hr/> | | | | |
| \$ | -113,227 | \$ | - | \$ -113,227 |
| | -131,302 | | - | -131,302 |
| | -670,446 | | - | -670,446 |
| | -475,450 | | - | -475,450 |
| | -285,874 | | - | -285,874 |
| | -4,551 | | - | -4,551 |
| \$ | -1,680,850 | \$ | - | \$ -1,680,850 |
| <hr/> | | | | |
| \$ | -422,938 | \$ | - | \$ -422,938 |
| | -184,716 | | - | -184,716 |
| | -249,422 | | - | -249,422 |
| \$ | -857,076 | \$ | - | \$ -857,076 |
| <hr/> | | | | |
| \$ | -5,725,246 | \$ | - | \$ -5,725,246 |
| <hr/> | | | | |
| \$ | - | \$ | -41,518 | \$ -41,518 |
| | - | | 14,799 | 14,799 |
| | - | | 2,009 | 2,009 |
| \$ | - | \$ | -24,710 | \$ -24,710 |
| <hr/> | | | | |
| \$ | -5,725,246 | \$ | -24,710 | \$ -5,749,956 |

Jesup Community School District

Statement of Activities

Year Ended June 30, 2006

| | Program Revenues | | |
|---|----------------------------|--|--|
| | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Expenses | | | |
| General Revenues: | | | |
| Property Tax Levied For: | | | |
| General purposes | | | |
| Debt service | | | |
| Capital outlay | | | |
| Local option sales and services tax | | | |
| Unrestricted state grants | | | |
| Unrestricted investment earnings | | | |
| Other | | | |
| Total General Revenues | | | |
| Change in net assets before disposal of assets | | | |
| Loss on disposal of assets | | | |
| Change in net assets | | | |
| Net assets beginning of year | | | |
| Net Assets End of Year | | | |

Net (Expense) Revenue
And Changes in Net Assets

| Governmental Activities | | Business Type Activities | Total |
|----------------------------|-----------|--------------------------------|--------------|
| \$ | 1,703,845 | \$ - | \$ 1,703,845 |
| | 121,009 | - | 121,009 |
| | 56,769 | - | 56,769 |
| | 522,135 | - | 522,135 |
| | 2,925,865 | - | 2,925,865 |
| | 88,402 | 1,885 | 90,287 |
| | 204,269 | - | 204,269 |
| \$ | 5,622,294 | \$ 1,885 | \$ 5,624,179 |
| \$ | -102,952 | \$ -22,825 | \$ -125,777 |
| | -664 | - | -664 |
| \$ | -103,616 | \$ -22,825 | \$ -126,441 |
| | 6,088,334 | 133,391 | 6,221,725 |
| \$ | 5,984,718 | \$ 110,566 | \$ 6,095,284 |

Jesup Community School District

Balance Sheet
Governmental Funds

June 30, 2006

| | General | Capital Projects | Non-major Special Revenue | Total |
|--|---------------------|---------------------|---------------------------------|---------------------|
| Assets | | | | |
| Cash and Pooled Investments: | | | | |
| Other | \$ 2,492,438 | \$ 679,978 | \$ 361,218 | \$ 3,533,634 |
| Receivables: | | | | |
| Property Tax: | | | | |
| Delinquent | 19,388 | - | 3,917 | 23,305 |
| Succeeding year | 1,725,466 | - | 379,632 | 2,105,098 |
| Accounts | 2,912 | - | - | 2,912 |
| Due from other governments | 131,366 | 75,873 | - | 207,239 |
| Total Assets | \$ 4,371,570 | \$ 755,851 | \$ 744,767 | \$ 5,872,188 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 92,859 | \$ 2,683 | \$ - | \$ 95,542 |
| Salaries and benefits payable | 503,462 | - | 385 | 503,847 |
| Deferred Revenue: | | | | |
| Succeeding year property tax | 1,725,466 | - | 379,632 | 2,105,098 |
| Total Liabilities | \$ 2,321,787 | \$ 2,683 | \$ 380,017 | \$ 2,704,487 |
| Fund Balances: | | | | |
| Unreserved | \$ 2,049,783 | \$ 753,168 | \$ 364,750 | \$ 3,167,701 |
| Total Liabilities and Fund Balances | \$ 4,371,570 | \$ 755,851 | \$ 744,767 | \$ 5,872,188 |

Jesup Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2006

| | |
|---|----------------------------|
| Total fund balances of governmental funds (page 15) | \$ 3,167,701 |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds | 7,461,190 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds | -27,938 |
| Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds | <u>-4,616,235</u> |
| Net assets of governmental activities (page 12) | <u>\$ 5,984,718</u> |

Jesup Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2006

| | General | Capital Projects | Non-Major Special Revenue | Total |
|---|--------------|---------------------|---------------------------------|--------------|
| Revenues: | | | | |
| Local Sources: | | | | |
| Local tax | \$ 1,563,667 | \$ 522,135 | \$ 317,956 | \$ 2,403,758 |
| Tuition | 275,991 | - | - | 275,991 |
| Other | 148,376 | 152,674 | 220,050 | 521,100 |
| Intermediate sources | - | - | - | - |
| State sources | 3,472,717 | 50,000 | 278 | 3,522,995 |
| Federal sources | 248,936 | - | 25,000 | 273,936 |
| Total Revenues | \$ 5,709,687 | \$ 724,809 | \$ 563,284 | \$ 6,997,780 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 2,644,783 | \$ - | \$ 23,400 | \$ 2,668,183 |
| Special instruction | 736,763 | - | - | 736,763 |
| Other instruction | 547,610 | - | 203,440 | 751,050 |
| | \$ 3,929,156 | \$ - | \$ 226,840 | \$ 4,155,996 |
| Support Services: | | | | |
| Student services | \$ 112,207 | \$ - | \$ 1,020 | \$ 113,227 |
| Instructional staff services | 129,587 | - | 340 | 129,927 |
| Administration services | 661,968 | - | 3,080 | 665,048 |
| Operation and maintenance of plant services | 390,701 | - | 56,897 | 447,598 |
| Transportation services | 318,533 | - | 11,295 | 329,828 |
| Community services | 4,551 | - | - | 4,551 |
| | \$ 1,617,547 | \$ - | \$ 72,632 | \$ 1,690,179 |
| Other Expenditures: | | | | |
| Facilities acquisition | \$ - | \$ 830,103 | \$ 70,937 | \$ 901,040 |
| Long-Term Debt: | | | | |
| Principal | - | - | 185,000 | 185,000 |
| Interest and fiscal charges | - | - | 185,872 | 185,872 |
| AEA flow-through | 249,422 | - | - | 249,422 |
| | \$ 249,422 | \$ 830,103 | \$ 441,809 | \$ 1,521,334 |
| Total Expenditures | \$ 5,796,125 | \$ 830,103 | \$ 741,281 | \$ 7,367,509 |
| Excess (deficiency) of revenues over (under) expenditures | \$ -86,438 | \$ -105,294 | \$ -177,997 | \$ -369,729 |
| Other Financing Sources (Uses): | | | | |
| Bond issuance | \$ - | \$ 146,234 | \$ - | \$ 146,234 |
| Operating transfers in | - | - | 257,936 | 257,936 |
| Operating transfers out | - | -257,936 | - | -257,936 |
| Total Other Financing Sources (Uses) | \$ - | \$ -111,702 | \$ 257,936 | \$ 146,234 |
| Net change in fund balances | \$ -86,438 | \$ -216,996 | \$ 79,939 | \$ -223,495 |
| Fund balances beginning of year | 2,136,221 | 970,164 | 284,811 | 3,391,196 |
| Fund Balances End of Year | \$ 2,049,783 | \$ 753,168 | \$ 364,750 | \$ 3,167,701 |

See notes to financial statements.

Jesup Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2006

Net change in fund balances – total governmental funds (page 17) \$ -223,495

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

| | | |
|---------------------------------|------------|--------|
| Expenditures for capital assets | \$ 454,832 | |
| Depreciation expense | -374,211 | 80,621 |
| | | |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

| | | |
|--------|-------------|--------|
| Issued | \$ -146,234 | |
| Repaid | 185,000 | 38,766 |
| | | |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,156

Change in Net Assets of Governmental Activities (page 14)

\$ -102,952

Jesup Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2006

| | Before & After School | Swimming Pool | School Nutrition |
|---|-----------------------------|------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 3,179 | \$ 41,046 | \$ 50,954 |
| Accounts receivable | - | - | 235 |
| Inventories | - | - | 1,449 |
| Capital assets, net of accumulated depreciation | - | - | 27,817 |
| Total Assets | \$ 3,179 | \$ 41,046 | \$ 80,455 |
| Liabilities | | | |
| Salaries and benefits payable | \$ - | \$ 3,831 | \$ 6,044 |
| Deferred revenue | - | - | 4,239 |
| Total Liabilities | \$ - | \$ 3,831 | \$ 10,283 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ 27,817 |
| Unrestricted | 3,179 | 37,215 | 42,355 |
| Total Net Assets | \$ 3,179 | \$ 37,215 | \$ 70,172 |

Jesup Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2006

| | Before & After School | Swimming Pool | School Nutrition |
|------------------------------|-----------------------------|------------------|---------------------|
| Operating revenues: | | | |
| Local sources: | | | |
| Charges for service | \$ 32,781 | \$ 32,939 | \$ 176,761 |
| Operating expenses: | | | |
| Non-instructional programs: | | | |
| Operations: | | | |
| Salaries | \$ 24,419 | \$ 14,737 | \$ 115,931 |
| Benefits | 2,656 | 2,096 | 30,251 |
| Purchased services | - | 522 | 5,244 |
| Supplies | 4,066 | 785 | 155,307 |
| Other | 220 | - | - |
| Depreciation | - | - | 4,351 |
| Total operating expenses | \$ 31,361 | \$ 18,140 | \$ 311,084 |
| Operating income (loss) | \$ 1,420 | \$ 14,799 | \$ -134,323 |
| Non-operating revenues: | | | |
| State sources | \$ - | \$ - | \$ 4,273 |
| Federal sources | 589 | - | 88,532 |
| Interest income | - | - | 1,885 |
| Total non-operating revenues | \$ 589 | \$ - | \$ 94,690 |
| Change in net assets | \$ 2,009 | \$ 14,799 | \$ -39,633 |
| Net assets beginning of year | 1,170 | 2,416 | 109,805 |
| Net Assets End of Year | \$ 3,179 | \$ 37,215 | \$ 70,172 |

Jesup Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2006

| | <u>School Nutrition</u> |
|---|-----------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 177,206 |
| Cash paid to employees for services | -140,279 |
| Cash paid to suppliers for goods or services | -149,192 |
| Net cash used by operating activities | <u>\$ -112,265</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | \$ 4,273 |
| Federal grants received | 76,524 |
| Net cash provided by non-capital financing activities | <u>\$ 80,797</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | <u>\$ -1,780</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>\$ 1,885</u> |
| Net decrease in cash and cash equivalents | \$ -31,363 |
| Cash and cash equivalents beginning of year | <u>82,317</u> |
| Cash and Cash Equivalents End of Year | <u>\$ 50,954</u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ -134,323 |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Commodities used | 12,009 |
| Depreciation | 4,351 |
| Decrease in inventories | 121 |
| Decrease in accounts receivable | 99 |
| (Decrease) in accounts payable | -741 |
| Increase in salaries and benefits payable | 5,873 |
| Increase in deferred revenue | 346 |
| Net Cash Used by Operating Activities | <u>\$ -112,265</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$12,008 of federal commodities.

Jesup Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2006

| | <u>Swimming Pool</u> |
|---|--------------------------|
| Cash flows from operating activities: | |
| Cash received from services | \$ 32,939 |
| Cash paid to employees for services | -17,416 |
| Cash paid to suppliers for goods or services | -1,307 |
| Net cash provided by operating activities | <u>\$ 14,216</u> |
| Net increase in cash and cash equivalents | \$ 14,216 |
| Cash and cash equivalents beginning of year | <u>26,830</u> |
| Cash and Cash Equivalents End of Year | <u>\$ 41,046</u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating income | \$ 14,799 |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| (Decrease) in salaries and benefits payable | <u>-583</u> |
| Net Cash Provided by Operating Activities | <u>\$ 14,216</u> |

Jesup Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

| | Trust Scholarship |
|-----------------------------|----------------------|
| Assets | |
| Cash and pooled investments | \$ 4,435 |
| Total Assets | <u>\$ 4,435</u> |
| Liabilities | |
| Accounts payable | <u>\$ -</u> |
| Net assets | |
| Reserved for scholarships | <u>\$ 4,435</u> |

Jesup Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2006

| | <u>Trust</u> <u>Scholarship</u> |
|------------------------------|------------------------------------|
| Additions: | |
| Local sources: | |
| Interest income | \$ 455 |
| Deductions: | |
| Support services: | |
| Scholarships awarded | \$ - |
| Change in net assets | \$ 455 |
| Net assets beginning of year | 3,980 |
| Net Assets End of Year | <u>\$ 4,435</u> |

Jesup Community School District

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Jesup Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Jesup, Iowa and portions of the predominately agricultural territories in Buchanan and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Jesup Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Jesup Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Swimming Pool Fund. These funds are used to account for the food service and swimming pool operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|-----------------------------------|----------|
| Land | \$ 2,000 |
| Buildings | 10,000 |
| Improvements other than buildings | 10,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 2,000 |

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|-----------------------------------|-----------------------------------|
| Buildings | 50 years |
| Improvements other than buildings | 20 – 50 years |
| Furniture and equipment | 5 – 15 years |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the instruction functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

| Transfer to | Transfer from | Amount |
|--------------|------------------|------------|
| Debt Service | Capital Projects | \$ 257,936 |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

| | Balance Beginning Of Year | Increases | Decreases | Balance End Of Year |
|---|---------------------------------|------------|------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 33,500 | \$ - | \$ - | \$ 33,500 |
| Construction in progress | 258,181 | 40,500 | 258,181 | 40,500 |
| Total capital assets not being depreciated | \$ 291,681 | \$ 40,500 | \$ 258,181 | \$ 74,000 |
| Capital assets being depreciated: | | | | |
| Buildings | \$ 8,933,409 | \$ 208,978 | \$ - | \$ 9,142,387 |
| Improvements other than buildings | 425,219 | 62,098 | - | 487,317 |
| Furniture and equipment | 1,827,392 | 401,438 | 19,950 | 2,208,880 |
| Total capital assets being depreciated | \$ 11,186,020 | \$ 672,514 | \$ 19,950 | \$ 11,838,584 |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 2,384,240 | \$ 200,181 | \$ - | \$ 2,584,421 |
| Improvements other than buildings | 308,602 | 22,034 | - | 330,636 |
| Furniture and equipment | 1,403,627 | 151,996 | 19,286 | 1,536,337 |
| Total accumulated depreciation | \$ 4,096,469 | \$ 374,211 | \$ 19,286 | \$ 4,451,394 |
| Total capital assets being depreciated, net | \$ 7,089,551 | \$ 298,303 | \$ 664 | \$ 7,387,190 |
| Governmental Activities Capital Assets, Net | \$ 7,381,232 | \$ 338,803 | \$ 258,845 | \$ 7,461,190 |

| | Balance Beginning Of Year | Increases | Decreases | Balance End Of Year |
|---|---------------------------------|------------------|-------------|---------------------------|
| Business type activities: | | | | |
| Furniture and equipment | \$ 63,463 | \$ 1,780 | \$ 3,530 | \$ 61,713 |
| Less accumulated depreciation | 33,075 | 4,351 | 3,530 | 33,896 |
| Business Type Activities Capital Assets, Net | \$ 30,388 | \$ -2,571 | \$ - | \$ 27,817 |

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

| | |
|---------|------------|
| Regular | \$ 272,874 |
| Special | 3,407 |
| Other | 14,900 |

Support services:

| | |
|------------------------------------|--------|
| Instructional staff | 1,375 |
| Administration | 6,743 |
| Operation and maintenance of plant | 30,832 |
| Transportation | 44,080 |

Total Depreciation Expense – Governmental Activities

\$ 374,211

Business Type Activities:

| | |
|-------------------------|----------|
| Food service operations | \$ 4,351 |
|-------------------------|----------|

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

| | Balance Beginning Of Year | Additions | Reductions | Balance End Of Year | Due Within One Year |
|--------------------------|---------------------------------|-------------------|-------------------|---------------------------|---------------------------|
| General obligation bonds | \$ 4,655,000 | \$ - | \$ 185,000 | \$ 4,470,000 | \$ 190,000 |
| LOST revenue bond | - | 146,235 | - | 146,235 | 29,246 |
| Total | \$ 4,655,000 | \$ 146,235 | \$ 185,000 | \$ 4,616,235 | \$ 219,246 |

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Issued May 2003 | | | |
|-------------------------|-------------------|--------------|--------------|--------------|
| | Interest Rates | Principal | Interest | Total |
| 2007 | 3.75% | \$ 190,000 | \$ 178,635 | \$ 368,635 |
| 2008 | 3.25% | 200,000 | 171,510 | 371,510 |
| 2009 | 3.375% | 210,000 | 165,010 | 375,010 |
| 2010 | 3.50% | 215,000 | 157,923 | 372,923 |
| 2011 | 3.60% | 220,000 | 150,398 | 370,398 |
| 2012 | 3.75% | 230,000 | 142,478 | 372,478 |
| 2013 | 3.80% | 240,000 | 133,853 | 373,853 |
| 2014 | 4.00% | 245,000 | 124,733 | 369,733 |
| 2015 | 4.00% | 255,000 | 114,933 | 369,933 |
| 2016 | 4.00% | 265,000 | 104,733 | 369,733 |
| 2017 | 4.00% | 275,000 | 94,133 | 369,133 |
| 2018 | 4.10% | 290,000 | 83,133 | 373,133 |
| 2019 | 4.20% | 300,000 | 71,243 | 371,243 |
| 2020 | 4.25% | 310,000 | 58,643 | 368,643 |
| 2021 | 4.35% | 325,000 | 45,468 | 370,468 |
| 2022 | 4.45% | 340,000 | 31,330 | 371,330 |
| 2023 | 4.50% | 360,000 | 16,200 | 376,200 |
| Total | | \$ 4,470,000 | \$ 1,844,356 | \$ 6,314,356 |

LOST Revenue Bond Payable

Details of the District's June 30, 2006 LOST revenue bonded indebtedness are as follows:

| Year Ending June 30, | Issued July 1, 2005 | |
|-------------------------|---------------------|---------|
| | Principal | |
| 2007 | \$ | 29,246 |
| 2008 | | 29,246 |
| 2009 | | 29,246 |
| 2010 | | 29,246 |
| 2011 | | 29,251 |
| | \$ | 146,235 |

The District is only liable for the principal on this loan; interest is being paid by an NSSI grant, deposited into the Great Western Bank.

During the year ended June 30, 2006, the District made principal, interest and fees payments totaling \$370,872 under the agreement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$225,672, \$220,258, and \$210,888, respectively, equal to the required contributions for each year.

(7) Risk Management

Jesup Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$249,422 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Commitments

The District approved the purchase of a dump truck, in the amount of \$10,500, and an irrigation system for the football field for \$17,972, both of which will be purchased after June 30, 2006.

The District entered into contracts for rural school reconstruction, which is in "construction-in-progress" for \$40,500 at June 30, 2006.

Required Supplementary Information

Jesup Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2006

| | Governmental Funds Actual | Proprietary Fund Actual |
|--|---------------------------------|-------------------------------|
| Receipts: | | |
| Local sources | \$ 3,200,849 | \$ 244,366 |
| Intermediate sources | - | - |
| State sources | 3,522,995 | 4,273 |
| Federal sources | 273,936 | 89,121 |
| Total Receipts | \$ 6,997,780 | \$ 337,760 |
| Disbursements: | | |
| Instruction | \$ 4,155,996 | \$ - |
| Support services | 1,690,179 | - |
| Non-instructional programs | - | 360,585 |
| Other expenditures | 1,521,334 | - |
| Total Disbursements | \$ 7,367,509 | \$ 360,585 |
| Excess (deficiency) of receipts over (under) disbursements | \$ -369,729 | \$ -22,825 |
| Other financing sources, net | 146,234 | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | \$ -223,495 | \$ -22,825 |
| Balances beginning of year | 3,391,196 | 133,391 |
| Balances End of Year | \$ 3,167,701 | \$ 110,566 |

See accompanying independent auditor's report.

| | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|------|-----------------|------------------|---------------|--------------------------------|
| | | Original | Final | |
| \$ | 3,445,215 | \$ 3,063,028 | \$ 3,063,028 | \$ 382,187 |
| | - | - | - | - |
| | 3,527,268 | 3,480,208 | 3,480,208 | 47,060 |
| | 363,057 | 428,000 | 428,000 | -64,943 |
| \$ | 7,335,540 | \$ 6,971,236 | \$ 6,971,236 | \$ 364,304 |
| | | | | |
| \$ | 4,155,996 | \$ 4,075,000 | \$ 4,125,000 | \$ -30,996 |
| | 1,690,179 | 2,085,978 | 2,085,978 | 395,799 |
| | 360,585 | 342,000 | 375,000 | 14,415 |
| | 1,521,334 | 2,109,227 | 2,109,227 | 587,893 |
| \$ | 7,728,094 | \$ 8,612,205 | \$ 8,695,205 | \$ 967,111 |
| | | | | |
| \$ | -392,554 | \$ -1,640,969 | \$ -1,723,969 | \$ 1,331,415 |
| | 146,234 | - | - | 146,234 |
| | | | | |
| \$ | -246,320 | \$ -1,640,969 | \$ -1,723,969 | \$ 1,477,649 |
| | 3,524,587 | 3,527,985 | 3,527,985 | -3,398 |
| \$ | 3,278,267 | \$ 1,887,016 | \$ 1,804,016 | \$ 1,474,251 |

Jesup Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amended increasing budgeted expenditures by \$83,000.

During the year ended June 30, 2006, expenditures in the instruction function exceeded the amount budgeted.

Other Supplementary Information

Jesup Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2006

| | Debt Service | Management Levy | Student Activity | Physical Plant and Equipment Levy | Total |
|--|-------------------|--------------------|---------------------|--|-------------------|
| Assets | | | | | |
| Cash and pooled investments | \$ 17,932 | \$ 92,940 | \$ 100,420 | \$ 149,926 | \$ 361,218 |
| Receivables: | | | | | |
| Property Tax: | | | | | |
| Delinquent | 1,483 | 1,738 | - | 696 | 3,917 |
| Succeeding year | 168,935 | 150,000 | - | 60,697 | 379,632 |
| Total Assets | \$ 188,350 | \$ 244,678 | \$ 100,420 | \$ 211,319 | \$ 744,767 |
| Liabilities & Fund Equity | | | | | |
| Liabilities: | | | | | |
| Salaries and benefits payable | \$ - | \$ - | \$ 385 | \$ - | \$ 385 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 168,935 | 150,000 | - | 60,697 | 379,632 |
| Total Liabilities | \$ 168,935 | \$ 150,000 | \$ 385 | \$ 60,697 | \$ 380,017 |
| Fund Equity: | | | | | |
| Unreserved fund balances | \$ 19,415 | \$ 94,678 | \$ 100,035 | \$ 150,622 | \$ 364,750 |
| Total Liabilities & Fund Equity | \$ 188,350 | \$ 244,678 | \$ 100,420 | \$ 211,319 | \$ 744,767 |

Jesup Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2006

| | Debt Service | Management Levy | Student Activity | Physical Plant and Equipment Levy | Total |
|--|-----------------|--------------------|---------------------|--|-------------|
| Revenues: | | | | | |
| Local Sources: | | | | | |
| Local tax | \$ 121,009 | \$ 140,178 | \$ - | \$ 56,769 | \$ 317,956 |
| Other | 546 | 6,134 | 209,297 | 4,073 | 220,050 |
| State sources | 104 | 125 | - | 49 | 278 |
| Federal sources | - | - | - | 25,000 | 25,000 |
| Total Revenues | \$ 121,659 | \$ 146,437 | \$ 209,297 | \$ 85,891 | \$ 563,284 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | \$ - | \$ 23,400 | \$ - | \$ - | \$ 23,400 |
| Other instruction | - | - | 203,440 | - | 203,440 |
| Support Services: | | | | | |
| Student services | - | 1,020 | - | - | 1,020 |
| Instructional staff services | - | 340 | - | - | 340 |
| Administration services | - | 3,080 | - | - | 3,080 |
| Operation and maintenance of plant services | - | 56,897 | - | - | 56,897 |
| Transportation services | - | 11,295 | - | - | 11,295 |
| Other expenditures: | | | | | |
| Facilities acquisition | - | - | - | 70,937 | 70,937 |
| Principal | 185,000 | - | - | - | 185,000 |
| Interest and fiscal charges | 185,872 | - | - | - | 185,872 |
| Total Expenditures | \$ 370,872 | \$ 96,032 | \$ 203,440 | \$ 70,937 | \$ 741,281 |
| Excess (deficiency) of revenues over (under) expenditures | \$ -249,213 | \$ 50,405 | \$ 5,857 | \$ 14,954 | \$ -177,997 |
| Other Financing Sources (Uses): | | | | | |
| Operating transfers in | \$ 257,936 | \$ - | \$ - | \$ - | \$ 257,936 |
| Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses | \$ 8,723 | \$ 50,405 | \$ 5,857 | \$ 14,954 | \$ 79,939 |
| Fund balances beginning of year | 10,692 | 44,273 | 94,178 | 135,668 | 284,811 |
| Fund Balances End of Year | \$ 19,415 | \$ 94,678 | \$ 100,035 | \$ 150,622 | \$ 364,750 |

See accompanying independent auditor's report.

Jesup Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

| Account | Balance Beginning Of Year | Revenues and Inter-fund Transfers | Expenditures | Intra- Fund Transfers | Balance End of Year |
|----------------------------|---------------------------------|--|--------------|-----------------------------|---------------------------|
| Choir robes | \$ 1,397 | \$ 897 | \$ - | \$ - | \$ 2,294 |
| Activity books | 1,288 | 10,538 | - | -9,600 | 2,226 |
| Athletics | 13,989 | 60,617 | 69,014 | 7,420 | 13,012 |
| Fine arts | 3,540 | 7,005 | 6,555 | 1,320 | 5,310 |
| Student Council | 9,618 | 11,273 | 11,611 | -250 | 9,030 |
| Summer ball | 9,744 | 4,595 | 6,244 | - | 8,095 |
| FHA | 672 | 1,721 | 1,340 | -250 | 803 |
| High School Fine Arts Trip | 13,052 | 27,712 | 43,274 | 860 | -1,650 |
| Language Club | 771 | 330 | 330 | - | 771 |
| Miscellaneous | 833 | 3,670 | 2,885 | - | 1,618 |
| Yearbook | 2,008 | 12,214 | 8,363 | 200 | 6,059 |
| National Honor Society | 7 | 885 | 597 | - | 295 |
| Class of 2005 | 386 | - | 60 | - | 326 |
| Class of 2006 | 3,316 | 739 | 1,325 | -100 | 2,630 |
| Class of 2007 | 516 | 10,378 | 8,829 | 100 | 2,165 |
| Class of 2008 | 2,890 | - | 400 | 50 | 2,540 |
| Class of 2009 | - | 4,839 | 2,887 | 25 | 1,977 |
| Middle School | 2,713 | 6,490 | 4,093 | -40 | 5,070 |
| FFA | 2,836 | 12,054 | 12,604 | 250 | 2,536 |
| J-Stars | 7,868 | 15,572 | 15,451 | 15 | 8,004 |
| Tree Project | 29 | - | - | - | 29 |
| Interest account | 12,284 | 3,896 | - | - | 16,180 |
| Elementary | 4,421 | 7,525 | 7,126 | - | 4,820 |
| PTO | - | 6,347 | 452 | - | 5,895 |
| Total | \$ 94,178 | \$ 209,297 | \$ 203,440 | \$ - | \$ 100,035 |

Jesup Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

| | Modified Accrual Basis | | | |
|---|------------------------|--------------|--------------|--------------|
| | 2006 | 2005 | 2004 | 2003 |
| Revenues: | | | | |
| Local Sources: | | | | |
| Local tax | \$ 2,403,758 | \$ 1,815,802 | \$ 1,858,831 | \$ 1,765,370 |
| Tuition | 275,991 | 298,173 | 308,685 | 382,930 |
| Other | 521,100 | 833,829 | 737,297 | 414,276 |
| Intermediate sources | - | - | - | - |
| State sources | 3,522,995 | 3,141,551 | 3,291,040 | 3,375,254 |
| Federal sources | 273,936 | 675,829 | 1,337,382 | 451,598 |
| Total | \$ 6,997,780 | \$ 6,765,184 | \$ 7,533,235 | \$ 6,389,428 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 2,668,183 | \$ 2,519,755 | \$ 2,523,006 | \$ 2,532,933 |
| Special instruction | 736,763 | 727,863 | 721,687 | 837,864 |
| Other instruction | 751,050 | 689,613 | 459,065 | 455,831 |
| Support services: | | | | |
| Student services | 113,227 | 439,592 | 284,723 | 288,793 |
| Instructional staff services | 129,927 | 179,958 | 163,584 | 213,786 |
| Administration services | 665,048 | 718,590 | 763,110 | 906,221 |
| Operation and maintenance of plant services | 447,598 | 368,754 | 454,477 | 354,298 |
| Transportation services | 329,828 | 282,983 | 265,734 | 297,348 |
| Central support services | - | - | - | - |
| Community services | 4,551 | 5,911 | 4,332 | 9,308 |
| Other expenditures: | | | | |
| Facilities acquisition | 901,040 | 3,016,743 | 2,767,935 | - |
| Long-term debt: | | | | |
| Principal | 185,000 | 175,000 | 170,000 | - |
| Interest and other charges | 185,872 | 192,435 | 198,810 | - |
| AEA flow-through | 249,422 | 246,686 | 251,380 | 268,171 |
| Total | \$ 7,367,509 | \$ 9,563,883 | \$ 9,027,843 | \$ 6,164,553 |

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Jesup Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jesup Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated August 11, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Jesup Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jesup Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jesup Community School District and other parties to whom Jesup Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Jesup Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 CPA PC
Keith Oltrogge
Certified Public Accountant

August 11, 2006

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2006

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2006

Part II - Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006 exceeded the certified budget amount in the instruction functional area.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-06 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted.

II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

II-J-06 Financial Condition – Activity Fund – The Student Activity Account had one deficit account at June 30, 2006.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate this deficit in order to return the account to a sound financial condition.

Response – We are working on this.

Conclusion – Response accepted.